

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS

December 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 25 2013

Waguespack & Gallagher, LLC

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BAYOU LAFOURCHE FRESH WATER DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Bayou Lafourche Fresh Water District
Thibodaux, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bayou Lafourche Fresh Water District (The District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bayou Lafourche Fresh Water District, as of December 31, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information and the schedule of funding progress on pages 3 through 9 and page 30 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bayou Lafourche Fresh Water District's basic financial statements. The introductory section and schedule of per diem are presented for additional analysis and are not a required part of the basic financial statements.

The schedule of per diem is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2013 on our consideration of the Bayou Lafourche Fresh Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bayou Lafourche Fresh Water District's internal control over financial reporting and compliance.

Wagnerspach + Gallagher, LLC

June 5, 2013
Napoleonville, Louisiana

BAYOU LAFOURCHE FRESH WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

Our discussion and analysis of the financial performance of the Bayou Lafourche Fresh Water District (the District) provides an overview of the District's financial activities for the fiscal year that ended December 31, 2012. Please read it in conjunction with the financial statements.

NEW ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

The District implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended December 31, 2012. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The reader will note a change in terminology from "net assets" to "net position."

FINANCIAL HIGHLIGHTS

The District's net position increased by \$424,565 or 7.36%.

The District's total revenues were \$2,982,456 for a decrease of 70.71%.

During the fiscal year ending December 31, 2012, the District had total expenses, excluding depreciation, of \$2,421,142.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

BAYOU LAFOURCHE FRESH WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

<p style="text-align: center;">Figure A-1 Major Features of the Bayou Lafourche Fresh Water District's Government and Fund Financial Statements</p>		
	Fund Statements	
	Government-wide Statements	Governmental Funds
Scope	Entire government	The activities of the District
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received or have otherwise been incurred.

BAYOU LAFOURCHE FRESH WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health, or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and factors that affect water supply for sales to the surrounding parishes.

The government-wide financial statements of the District include:

- Governmental activities—most of the District's basic services are included here. Property taxes and water sales finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The District has one type of fund:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

BAYOU LAFOURCHE FRESH WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

FINANCIAL ANALYSIS OF THE BAYOU LAFOURCHE FRESH WATER DISTRICT AS A WHOLE

Net position. The District's net position increased between fiscal years 2011 and 2012 to approximately \$6.20 million. (See Table A-1.)

Table A-1			
Bayou Lafourche Fresh Water District's Net Position			
	Governmental Activities		
	2012		2011
Current and other assets	5,157,903		\$4,999,928
Capital assets	1,218,446		1,090,038
Total assets	6,376,349		6,089,966
Accounts payable and accrued expenditures	180,246		318,428
Total liabilities	\$180,246		\$318,428
Net position			
Net Investment in			
Capital assets	1,218,446		1,090,038
Restricted for special projects	20		20
Unrestricted	4,977,637		4,681,480
Total net position	\$6,196,103		\$5,771,538

Net position of the District's governmental activities increased 7.36 percent to approximately \$6.2 million.

Changes in net position. The District's total revenues decreased by 70.71 percent to \$2,982,456 (See Table A-2). This decrease is primarily due to a decrease in monies received from the Louisiana Office of Coastal Protection and Restoration to fund the dredging project

The total cost of all expenses decreased approximately \$6,981,711 or 73.2 percent, due to expenditures made for the dredge project in the prior year.

BAYOU LAFOURCHE FRESH WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

Governmental Activities

Table A-2			
Changes in Bayou Lafourche Fresh Water District's Net Position			
	Governmental Activities		
	2012		2011
Revenues			
Program revenues			
Charges for services	\$ 280,220		\$ 264,518
General revenues			
Assessment District	1,874,238		1,853,164
Revenue Sharing	55,463		54,929
Interest	12,556		15,103
State Contracts	753,005		7,985,612
Other	6,974		10,840
Total revenues	2,982,456		10,184,166
Expenses			
Personnel	472,535		472,176
Other Operating	2,085,356		9,067,426
Total expenses	2,557,891		9,539,602
Increase in net position	\$ 424,565		\$ 644,564

FINANCIAL ANALYSIS OF THE FUNDS

As the District completed the year, its governmental funds reported a fund balance of \$ 5.04 million, an increase from last year of approximately \$296,939 or 6.26 percent.

General Fund Budgetary Highlights

- Over the course of the year, the District revised its budget to reflect a \$534,000 increase in income due to an increase in budgeted state contract revenues associated with the dredge project and an increase in budgeted ad valorem taxes and a \$162 thousand dollar increase in expenditures due to the budgeted cost of the dredge project. This was incorrect due to the fact that the income and expenses accounted for in the budget were overstated due to miscalculation of when money would be received for the project.

BAYOU LAFOURCHE FRESH WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had invested \$1,218,446 in capital assets. (See Table A-3.)

Table A-3
Bayou Lafourche Fresh Water District's Capital Assets
(net of depreciation)

		Governmental Activities	
		2012	2011
Land and Buildings °		\$ 2,074,838	\$ 1,979,838
Furniture and Equipment		1,992,897	1,806,591
Vehicles		98,813	119,920
Construction in Progress-Equipment		-	15,000
Accumulated Depreciation		(2,948,102)	(2,831,311)
Net Capital Assets		\$ 1,218,446	\$ 1,090,038

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is dependent on property tax collections for approximately 84 percent of its regular revenues and water sales for approximately 13 percent of its regular revenues. The economy is not expected to generate any significant growth. Therefore, the District's general fund future revenues and expenditures are expected to be consistent with the current years.

BAYOU LAFOURCHE FRESH WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Benjamin Malbrough, Executive Director, 1016 St. Mary Street, Thibodaux, Louisiana 70301.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 1

STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,869,794
Investments	809,757
Receivables:	
Ad valorem taxes	1,418,335
State revenue sharing	18,033
Water Sales	38,177
Interest	3,807
Total current assets	<u>5,157,903</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>1,218,446</u>
Total assets	<u>6,376,349</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenditures	<u>117,713</u>
Total current liabilities	<u>117,713</u>

Noncurrent liabilities:

OPEB Liability	39,549
Accrued absences	<u>22,984</u>
	<u>62,533</u>
Total liabilities	<u>180,246</u>

NET POSITION

Net Investment in capital assets	1,218,446
Restricted for special projects	20
Unrestricted	<u>4,977,637</u>
Total net position	<u>\$ 6,196,103</u>

The accompanying notes are an integral part of this financial statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Operating Grants and Contracts	Charges for Services	Governmental Unit
FUNCTIONS/PROGRAMS				
Governmental activities:				
General government	\$ 2,557,891	\$ 753,005	\$ 280,220	\$ (1,524,666)
Total governmental activities	<u>2,557,891</u>	<u>753,005</u>	<u>280,220</u>	<u>(1,524,666)</u>
General Revenues:				
Compensation from assessment district				1,874,238
Interest				12,556
State revenue sharing				55,463
Gain on Sale of Assets				6,263
Miscellaneous Income				<u>711</u>
Total general revenues				<u>1,949,231</u>
Change in net position				424,565
Net position - January 1, 2012				<u>5,771,538</u>
Net position - December 31, 2012				<u>\$ 6,196,103</u>

The accompanying notes are an integral part of this financial statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 3

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u>	
	<u>GENERAL</u>	<u>DREDGE SPECIAL REVENUE</u>	<u>2012</u>	<u>2011</u>
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 2,869,774	\$ 20	\$2,869,794	\$ 2,532,171
Investments	809,757	-	809,757	804,128
Receivables:				
Ad valorem taxes, net	1,418,335		1,418,335	1,418,335
State revenue sharing	18,033	-	18,033	18,033
Water sales	38,177	-	38,177	23,136
Due from other governments	-	-	-	203,643
Due from/(to) other funds	-	-	-	-
Interest receivable	3,807	-	3,807	482
Total Assets and Other Debits	<u>\$ 5,157,883</u>	<u>\$ 20</u>	<u>5,157,903</u>	<u>4,999,928</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 73,025	\$ -	\$ 73,025	\$ 218,200
Accrued Payroll	15,020	-	15,020	12,712
Compensated absences payable	29,668	-	29,668	25,765
Total Liabilities	<u>117,713</u>	<u>-</u>	<u>117,713</u>	<u>256,677</u>
Equity and other credits:				
Fund balances:				
Restricted for:				
Dredge Project	-	20	20	20
Unassigned	5,040,170	-	5,040,170	4,743,231
Total Equity and Other Credits	<u>5,040,170</u>	<u>20</u>	<u>5,040,190</u>	<u>4,743,251</u>
Total Liabilities, Equity, and Other Credits	<u>\$ 5,157,883</u>	<u>\$ 20</u>	<u>\$5,157,903</u>	<u>\$ 4,999,928</u>

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total fund balances - Governmental Funds	\$ 5,040,190
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Those assets consist of:

Land	133,583	
Cost of Buildings and equipment	4,032,965	
Less: Accumulated Depreciation	<u>(2,948,102)</u>	
		1,218,446

Long-term Liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet

Less: other postemployment benefit liability at December 31, 2012	(39,549)	
Less: accrued long term compensated absences as of December 31, 2012	<u>(22,984)</u>	
		(62,533)

Total net position at December 31, 2012 - Governmental Activities	<u>\$ 6,196,103</u>
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The accompanying notes are an integral part of this financial statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 5

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011**

	<u>GENERAL</u>	<u>DREDGE SPECIAL REVENUE</u>	<u>TOTALS</u>	
			<u>2012</u>	<u>2011</u>
REVENUES				
Ad Valorem Taxes Revenue	1,874,238	-	1,874,238	1,853,164
Intergovernmental Revenues:				
State Revenue Sharing	55,463	-	55,463	54,929
State Contract-Bayou Project		753,005	753,005	7,985,612
Water Sales	280,220	-	280,220	264,518
Interest income	12,556	-	12,556	15,103
Sale of Assets	10,032	-	10,032	8,500
Miscellaneous Income	710	-	710	2,341
	<u>2,233,219</u>	<u>753,005</u>	<u>2,986,224</u>	<u>10,184,167</u>
Total Revenues				
EXPENDITURES				
Salaries	472,535	-	472,535	472,176
Payroll Taxes	36,009	-	36,009	36,299
Group Insurance Expense	177,171	-	177,171	169,285
Retirement Expense	42,512	-	42,512	43,308
Ad val deduction for pension	60,629	-	60,629	59,310
Materials & supplies	13,770	-	13,770	16,069
Commissions	-	-	-	1,700
Repairs & maintenance	44,538	-	44,538	35,246
Fuel & lube	30,339	-	30,339	27,809
Accounting fees	11,000	-	11,000	7,750
Computer expense	4,086	-	4,086	2,588
Dues & Subscriptions	206	-	206	226
Election Expenses	13,216	-	13,216	-
Engineering Fees	15,816	-	15,816	42,578
Insurance - General	291,867	-	291,867	287,548
Legal Publication	7,284	-	7,284	2,756
Medical Expenses	1,323	-	1,323	13,554
Mileage & Travel	1,573	-	1,573	1,289
Office Expense	11,038	-	11,038	10,205
BTNEP Calendar	5,000	-	5,000	5,000
Telephone	12,523	-	12,523	10,680
Legal Fees	37,835	-	37,835	9,401
Utilities	201,526	-	201,526	122,648
Aquatic vegetation control	6,159	-	6,159	-
Monitoring Gauge Expense	16,317	-	16,317	18,541
State Land Water Line Marking	-	-	-	19,780
Miscellaneous expense	11,151	-	11,151	10,239
Bayou Tree Planting	16,886	-	16,886	-
Dredge Expenses	109,215	753,005	862,220	7,985,612
Company Canal Expenses	830	-	830	100
Capital outlay:				
Equipment & vehicle	188,926	-	188,926	32,192
Buildings	30,000	-	30,000	13,589
Land	65,000	-	65,000	-
Office Equipment	-	-	-	758
	<u>1,936,280</u>	<u>753,005</u>	<u>2,689,285</u>	<u>9,458,236</u>
Total Expenditures				
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>296,939</u>	<u>-</u>	<u>296,939</u>	<u>725,931</u>
CHANGES IN FUND BALANCES	296,939	-	296,939	725,931
FUND BALANCE AT BEGINNING OF YEAR	<u>4,743,231</u>	<u>20</u>	<u>4,743,251</u>	<u>4,017,320</u>
FUND BALANCE AT END OF YEAR	<u>5,040,170</u>	<u>20</u>	<u>5,040,190</u>	<u>4,743,251</u>

The accompanying notes are an integral part of this statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 6

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2012

Total net changes in fund balances at December 31, 2012 per Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 296,939
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Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures of Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 268,926
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Depreciation expense on capital assets is reported in the Government-wide financial statements, but does not require the use of current financial resources and is not reported in the Fund Financial Statements. Current year depreciation expense is	(136,749)
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The net effect of sales transactions involving capital assets is to decrease net assets:	
Decrease In Capital assets	(23,727)
Decrease in Accumulated Depreciation	19,959

Some of the revenues reported in the Statement of Activities do not provide current financial resources and these are not reported as revenues in governmental funds. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These timing differences are summarized below:

Net OPEB Obligation	(3,738)	
Accrued Compensated Absences	2,955	127,626

Change in Net Position - Governmental Activities	<u>\$ 424,565</u>
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The accompanying notes are an integral part of this financial statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

INTRODUCTION

The Bayou Lafourche Fresh Water District (the District) was created under Act 113 of 1950, of the Louisiana Legislature, for the purpose of furnishing fresh water from the Mississippi River to the incorporated villages, towns, and cities along Bayou Lafourche. The District is governed by a board of eight commissioners appointed for terms of four years. The parish governments of Ascension and Assumption appoint four of eight commissioners, and the governor of Louisiana appoints the remaining four commissioners.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying basic financial statements of the Bayou Lafourche Fresh Water District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The following is a summary of the Bayou Lafourche Fresh Water District's significant policies:

Financial Reporting Entity

Under Governmental Accounting and Financial Standards Section 2100, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relations with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the primary government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the primary government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.
2. Organization for which the primary government does not appoint a voting majority but are fiscally dependent of the primary government.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Based on this criteria, management has determined that the Bayou Lafourche Fresh Water District is not considered a component unit of any other reporting entity. The District is a separate reporting entity because:

1. The District is a separate legal entity, and not a part of any other governmental entity.
2. Other governmental entities do not have the ability to impose their will on the District.
3. The District is not fiscally dependent on other governmental entities, nor is the District a significant financial burden to any other governmental entity.

This report includes all funds which are controlled by the Bayou Lafourche Fresh Water District. The district is not included in any other governmental "reporting entity" as defined by the GASB pronouncement.

Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The District has two funds, which are classified as governmental funds. Governmental funds account for the district's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The governmental funds of the District include:

General Fund – The general fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund – The Special Revenue Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District has one special revenue fund. The special revenue fund of the District is used to account for state contract monies received from the Louisiana Department of Coastal Restoration and Preservation which are used for the dredging and clearing of Bayou Lafourche.

Basis of Accounting / Measurement Focus

Government-Wide Financial Statements

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB No. 33, *Accounting and Financial Reporting for Non-exchange transactions*.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Program Revenues

Program revenues included in the Statement of Activities derive directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the District's general revenues.

Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental Funds are accounted for on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become measurable and available to pay current period liabilities. The District considers ad valorem tax revenues available if they are collected within 30 days after the fiscal year end. All other revenues are available when earned. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures.

Fund Equity of Fund Financial Statements

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below:

Nonspendable – represents amounts that are not expected to be converted to cash because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – represents balances where constraints have been established by parties outside the District or imposed by law through constitutional provisions or enabling legislation.

Committed – represents balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority.

Assigned – represents balances that are constrained by the District's intent to be used for specific purposes, but are not restricted nor committed.

Unassigned – represents balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

When expenditures are incurred for the purposes for which both restricted and unrestricted amounts are available, the District will reduce restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned and unassigned amounts are available, the District will reduce committed amounts first, followed by assigned amounts, and then unassigned amounts.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenues

Revenue is recorded when received or accrued when it becomes both measurable and available for current expenditures. Only revenue received within thirty days of the close of the current fiscal year is considered receivable and is recorded in the current year, with the exception of federal grant revenues. Ad valorem taxes are assessed on a calendar year basis, become due November 15 of each year and become delinquent on December 31. The taxes are generally collected in December of the current year. The revenue collected by the sheriffs of the parishes involved are transmitted to the District.

Water sales are recorded when earned.

Interest income on time deposits is recorded when earned.

Grant income is recorded when measurable

All other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Annually, the Board of Commissioners of the District adopts a detailed budget for the general fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and a public hearing on the budget. Budgeted amounts included in the accompanying financial statements include the original adopted budget amounts and all subsequent amendments.

Encumbrances

The district does not use encumbrance accounting.

Cash, Cash Equivalents, and Investments

The district has deposits in a checking account and a money market account at a local financial institution. The District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana or any other state in the United States. The District may also invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the board may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

Inventories

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The district capitalizes assets based on the determination of whether it is a material purchase which will have a definite useful life of greater than a year.

Capital assets are recorded in the GWFS, but are not reported in the FFS. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 40 years.

Recently Issued Accounting Principles

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components, assets, deferred outflows of resources, liabilities and deferred inflows of resources. The District adopted GASB Statement 63 in 2012.

NOTE B - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2012, are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 68,583	\$ 65,000	\$ -	\$ 133,583
Building and Improvements	1,911,255	30,000	-	1,941,255
Furniture and Equipment	1,806,591	188,926	2,620	1,992,897
Vehicles	119,920	-	21,107	98,813
Construction in Progress-Equip	15,000		15,000	-
Total Cost	3,921,349	283,926	38,727	4,166,548
Less: Accumulated Depreciation:				
Building and Improvements	1,616,771	10,919	2,620	1,625,070
Furniture and Equipment	1,103,665	123,569		1,227,234
Vehicles	110,875	2,261	17,338	95,798
Total Accumulated Depreciation	2,831,311	136,749	19,958	2,948,102
Governmental Activities Capital Assets, Net	\$ 1,090,038	\$ 147,177	\$ 18,769	\$ 1,218,446

For the year ended December 31, 2012, depreciation expense was \$136,749. During 2011, plans were drawn up for new harvesters for the bayou. The cost was 15,000 for these plans. These were being capitalized as construction in progress until the harvesters are constructed and placed into service, but during 2012 the decision not to build the harvesters was made, therefore, the amounts were reclassified to engineering fees.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE C – LEVIED TAXES

Maintenance taxes attach as enforceable liens on property as of January 1 of each year. Taxes are levied by the parishes in November and are actually billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

In 2012, the District was authorized to levy up to 2.11 mills in ad valorem taxes. A 2.11 mills ad valorem tax was levied for the year ended December 31, 2012. This assessment is made on real property and business personal properties located in part of Ascension Parish and within the boundaries of Assumption and Lafourche Parishes. The District records as a receivable the total ad valorem taxes collected within thirty days of the close of the current fiscal year less the deduction for pension. An Allowance for Doubtful Accounts is not recorded by the District because the amount of uncollected taxes is immaterial and written off in the year following the year of assessment.

NOTE D – CASH AND INVESTMENTS

At December 31, 2012, the district has cash and cash equivalents and investments (book balances) totaling \$3,679,551 as follows:

Demand Deposits	\$ 2,869,794
Time Deposits	<u>809,757</u>
Total	<u><u>\$ 3,679,551</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012, the district has \$3,702,522 in deposits (collected bank balances). These deposits are secured from risk by \$500,020 of federal deposit insurance and \$3,202,502 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.R. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds on demand.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE E – COMPENSATED ABSENCES

The District employees accumulate an unlimited amount of annual and sick leave at varying rates as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits. The cost of leave privileges are computed in accordance with GASB Codification Section C60. An estimate of the leave privileges requiring current resources is accrued in the General Fund. The District records the long term portion of accrued leave in the GWFS. As of December 31, 2012, the District accrued \$52,652 in compensated absences as follows:

Current Portion	\$29,668
Long Term Portion	<u>22,984</u>
	\$52,652

The current portion of this obligation is reflected in accrued expenditures in the Statement of Net Position.

NOTE F – PENSION PLAN

Substantially all employees of the Bayou Lafourche Fresh Water District are members of the Parochial Employees Retirement System of Louisiana (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan B.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 62 with at least 10 years creditable service or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 per cent of their final-average salary in excess of \$100 for each year of creditable service. Further, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 per cent for each year retirement precedes age 62. In any case, monthly retirement benefits paid under Plan B cannot exceed the lesser of 100 per cent of final-average salary or \$70 multiplied by total years of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE F – PENSION PLAN-(Continued)

Under Plan B, employees may elect to enter into the Deferred Retirement Option Plan (DROP). DROP is an option for those members who are eligible for normal retirement. Employees age 62 and above with 10 years of creditable service are eligible for the plan. The plan allows the pension benefit that is accrued at the time of entry into DROP to be calculated and to accumulate with the retirement system while the DROP participant continues to work, freezing the future retirement benefit at retirement. The pension benefit is calculated as if the member were actually retiring. This DROP is deposited to a DROP account with the retirement system for a period not to exceed three years. The participant continues to work during this period of time. Employee contributions cease but employer contributions continue. At the end of the DROP period and upon termination of employment, the sum of the DROP account is paid out and the retiree begins receiving that same benefit directly as the retirement benefit.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Under Plan B, members are required by state statute to contribute 3% of their annual covered salary and the district is required to contribute at an actuarially determined rate. The current rate is 10.0% of annual covered payroll. Contributions to the System include one-fourth of 1% of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the district are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The district's contribution to the System under Plan B for the years ending December 31, 2012, 2011, and 2010, were \$42,512, \$43,308, and \$43,295, and respectively, equal to the required contributions each year.

NOTE G- LEASES

The board had no capital leases to be recorded as assets and obligations in the accompanying financial statements.

NOTE H – DEFERRED COMPENSATION PLAN

Some employees of the Bayou Lafourche Water District contribute to the State of Louisiana Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. The plan, which is available to all employees, permits employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE I –RESTRICTED ASSETS

Certain resources of the District's special revenue fund are classified as restricted assets on the statement of net position because their use is limited by grant agreements. These funds represent State of Louisiana Department of Coastal Protection and Restoration contract funds to be used on the bayou dredge and cleaning project only.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE J –RESTRICTED FUND BALANCE

Certain resources of the District's special revenue fund are classified as restricted on the balance sheet because their use is limited by grant agreements because they represent State of Louisiana Department of Costal Protection and Restoration grant funds to be used on the bayou dredge and cleaning project only.

NOTE K - POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

From an accrual accounting perspective, the cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2012, the district began to recognize the cost of postemployment healthcare in the year when employee services are received, to report the accumulated liability from prior years, and to provide information useful in assessing potential demands on the district's future cash flows. Because the district adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan Description. Continuing health care benefits are provided for those retired employees who have reached the normal retirement age while employed by the District. The plan is a multiple-employer defined benefit health care plan administered by the Louisiana State Office of Group Benefits. The Office of Group Benefits has the authority to establish and amend the benefit provisions of the plan. The plan issues a publicly available financial report.

Funding Policy. The benefits for retirees and similar benefits for active employees are provided through Blue Cross Blue Shield of Louisiana HMO with the monthly premiums for active employees being paid solely by the District. The District recognizes the cost as expenditure when paid during the year. The benefits are financed on a pay-as-you-go basis.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE K – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS-Continued

Annual OPEB Cost. The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The District utilizes unit credit actuarial cost method to amortize the unfunded actuarial accrued liability. The total ARC for the year ending December 31, 2012 is \$14,125 as set forth below:

Normal Cost	\$ 5,780
30 year UAL amortization	<u>8,345</u>
Annual Required Contribution	<u><u>\$ 14,125</u></u>

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual Required Contribution	\$ 14,125
Interest on net OPEB Obligation	1,432
Adjustment to annual required contribution	<u>(2,194)</u>
Annual OPEB cost (expense)	13,363
Contributions made	<u>(9,626)</u>
Increase in net OPEB obligation	3,737
Net OPEB obligation-beginning of year	<u>35,812</u>
Net OPEB obligation-end of year	<u><u>\$ 39,549</u></u>

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE K – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS-Continued

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

<u>Fiscal Year Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2010	21,138	25%	32,374
12/31/2011	13,467	74%	35,812
12/31/2012	13,363	72%	39,549

Fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively. Therefore, prior year comparative data is not available. In future years, three – year trend information will be presented.

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2012, was as follows:

Actuarial accrued liability (AAL)	\$ 136,276
Actuarial valuation of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 136,276</u>
Funded ratio (actuarial value of plan assets/AAL)	0%

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress included in required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE K – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS-Continued

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The significant actuarial assumptions used in the valuation of the plan are as follows

1. Investment return of 4.0% per annum, compounded annually.
2. Mortality rates:
 - a. Healthy Lives – RP 2000 projected to 2012 scale using scale AA
3. 80% of employees who elect coverage while in active employment and who are eligible for retiree medical benefits are assumed to elect continued medical coverage in retirement. For those who elect coverage, it is assumed that they will continue to be covered by the same plan as retirees that they were while active.
4. 40% of members electing coverage are assumed to also elect coverage for a spouse.
5. Females are assumed to be three years younger than males, for active employees.
6. Medical Inflation

<u>Year</u>	<u>Trend</u>
2009	7.80%
2010	7.20%
2011	6.30%
2012-2013	5.80%
2014-2017	5.70%
2018-2022	5.60%
2023-2027	5.50%
2028-2032	5.40%
2033	5.30%
2034	5.20%
2035-2036	5.10%
2037-2038	5.00%
2039-2042	4.90%
2043-2047	4.80%
2048-2053	4.70%
2054-2062	4.60%
2063-2075	4.50%
2076	4.40%
2077-2078	4.20%
2079-2085	4.10%
2086	4.00%

BAYOU LAFOURCHE FRESH WATER DISTRICT
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NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE K – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS-Continued

7. For actives and retirees, the life insurance amount was provided by the Bayou Lafourche Fresh Water District and their annual premium was calculated as \$1.00 per unit of insurance per month. The district pays 50% of the life insurance premium.
8. It is assumed that 30% of the active employees will elect life insurance upon retirement
9. Bayou Lafourche Fresh Water District covers a portion of the medical and life benefit premium based on years of participation. Below are the monthly maximum dollar amounts:

Years of Service	Max Dollar Amt of District Subsidy
15	\$ 150.00
16	\$ 165.00
17	\$ 180.00
18	\$ 195.00
19	\$ 210.00
20	\$ 225.00
21	\$ 240.00
22	\$ 255.00
23	\$ 270.00
24	\$ 285.00
25	\$ 300.00
26	\$ 315.00
27	\$ 330.00
28	\$ 345.00
29	\$ 360.00
30	\$ 375.00
31	\$ 395.00
32	\$ 410.00
33	\$ 442.50
34	\$ 440.00
35	\$ 455.00
36	\$ 470.00
37	\$ 485.00
38	\$ 500.00

NOTE L – DREDGE PROJECT

Beginning in 2010, the Bayou Lafourche dredge project was undertaken through a cooperative endeavor agreement between the Bayou Lafourche Fresh Water District and the Louisiana Coastal Protection & Restoration Authority (CRPA). This project is fully funded with monies from the State of Louisiana.

NOTE L – DREDGE PROJECT-Continued

The District is responsible for soliciting bids and executing the contracts for the services, labor and materials required to implement the project. The District is also responsible for coordinating the project implementation, necessary accounting activities, and all operation and maintenance activities associated with the project during and after all phases of the project.

During 2012, Phase I of the project was completed. Phase II planning was initiated during 2012. The planning portion of Phase II is the financial responsibility of the District and is not paid for by the State of Louisiana, therefore the expenses are accounted for in the general fund for current year expenditures for Phase II.

NOTE M - LITIGATION AND CLAIMS

The District is involved in litigation at December 31, 2012. In the opinion of management and legal counsel, the District has adequate legal defenses for the issues raised and the outcome of these matters will not have a significant effect on the District's financial position at December 31, 2012.

The District had a "dolphin" that protects the intake of its Donaldsonville pump station damaged by a vessel. The owners of the vessel have been made aware of the claim. They have not denied responsibility but as of now are not admitting their liability for the claim. The approximate damage to the dolphin, the replacement of new pilings and the reinstallation cost is \$300,000. At this time, we cannot be sure of whether the district will be responsible for this amount.

REQUIRED SUPPLEMENTARY INFORMATION-PART II

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Statement 7

BUDGETARY COMPARISON SCHEDULE - GENERAL AND SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2012

	GENERAL FUND				DREDGE SPECIAL REVENUE FUND			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES								
Ad Valorem Taxes	\$ 1,500,000	\$ 1,872,900	\$ 1,874,238	\$ 1,338	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues:								
State Revenue Sharing	50,000	55,463	55,463	-	-	-	-	-
State Contracts	-	-	-	-	800,000	957,000	753,005	(203,995)
Water Sales	245,000	258,000	280,220	22,220	-	-	-	-
Interest Income	25,000	10,000	12,556	2,556	-	-	-	-
Sale of Assets	-	-	10,032	10,032	-	-	-	-
Miscellaneous Income	100	706	710	4	-	-	-	-
Total Revenues	1,820,100	2,197,069	2,233,219	36,150	800,000	957,000	753,005	(203,995)
EXPENDITURES								
Salaries	476,200	473,000	472,535	465	-	-	-	-
Payroll Taxes	45,000	45,000	36,009	8,991	-	-	-	-
Group Insurance	198,000	170,000	177,171	(7,171)	-	-	-	-
Retirement Expense	45,000	45,000	42,512	2,488	-	-	-	-
Ad val deduction for pension	59,000	61,000	60,629	371	-	-	-	-
Materials & supplies	15,000	15,000	13,770	1,230	-	-	-	-
Commissions	-	-	-	-	-	-	-	-
Repairs & maintenance	40,000	62,500	44,538	17,962	-	-	-	-
Fuel & lube	22,000	35,000	30,339	4,661	-	-	-	-
Accounting fees	10,000	11,000	11,000	-	-	-	-	-
Computer expense	2,500	3,500	4,086	(586)	-	-	-	-
Dues & Subscriptions	150	150	206	(56)	-	-	-	-
Election Expenses	-	100,000	13,216	86,784	-	-	-	-
Engineering Fees	10,000	65,000	15,816	49,184	-	-	-	-
Insurance - General	285,000	285,000	291,867	(6,867)	-	-	-	-
Legal Publication	6,000	6,000	7,284	(1,284)	-	-	-	-
Medical Expense	1,000	1,500	1,323	177	-	-	-	-

The accompanying notes are an integral part of this statement.

**BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana**

Statement 7

**BUDGETARY COMPARISON SCHEDULE - GENERAL AND SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2012**

	GENERAL FUND				DREDGE SPECIAL REVENUE FUND			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Mileage & Travel	1,500	1,500	1,573	(73)	-	-	-	-
Office Expense	10,000	10,000	11,038	(1,038)	-	-	-	-
BTNEP Calendar	5,000	5,000	5,000	-	-	-	-	-
Telephone	14,000	14,000	12,523	1,477	-	-	-	-
Legal Fees	10,000	70,000	37,835	32,165	-	-	-	-
Utilities	211,800	161,800	201,526	(39,726)	-	-	-	-
Aquatic vegetation control	5,000	7,000	6,159	841	-	-	-	-
Monitoring Gauge Expense	150,000	60,000	16,317	43,683	-	-	-	-
State Land Water Line Marking	-	-	-	-	-	-	-	-
Miscellaneous expense	1,000	16,504	11,151	5,353	-	-	-	-
Bayou Tree Planting	-	-	16,886	(16,886)	-	-	-	-
Dredge Expenses	-	-	109,215	(109,215)	800,000	957,000	753,005	203,995
Company Canal Expenses	-	1,000	830	170	-	-	-	-
Capital outlay:	-	-	-	-	-	-	-	-
Buidling	-	95,000	30,000	65,000	-	-	-	-
Land	-	-	65,000	(65,000)	-	-	-	-
Equipment & vehicle	335,000	143,200	188,926	(45,726)	-	-	-	-
Office equipment	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,958,150</u>	<u>1,963,654</u>	<u>1,936,280</u>	<u>27,374</u>	<u>800,000</u>	<u>957,000</u>	<u>753,005</u>	<u>203,995</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(138,050)</u>	<u>233,415</u>	<u>296,939</u>	<u>63,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCES	<u>(138,050)</u>	<u>233,415</u>	<u>296,939</u>	<u>63,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT BEGINNING OF YE.	<u>2,800,000</u>	<u>3,336,279</u>	<u>4,743,231</u>	<u>1,406,952</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>20</u>	<u>(1,999,980)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,661,950</u>	<u>\$ 3,569,694</u>	<u>\$ 5,040,170</u>	<u>\$ 1,470,476</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 20</u>	<u>\$ (1,999,980)</u>

Continued

The accompanying notes are an integral part of this statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Schedule of Funding Progress
For the Year Ended December 31, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>
January 1, 2012	\$ -	\$ 136,276	\$ 136,276	0.0%
January 1, 2011	\$ -	\$ 136,276	\$ 136,276	0.0%
January 1, 2010	\$ -	\$ 142,105	\$ 142,105	0.0%

OTHER SUPPLEMENTARY INFORMATION

Schedule A

**BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana**

**Schedule of Per Diems Paid to Board Members
For the Year Ended December 31, 2012**

<u>Board Member</u>	<u>Amount</u>
Ron Animashaun	1,050
Gene Harrell	1,050
Larry Dugas	1,125
Darby Chaisson	450
Gregory Nolan	975
Windell Curole	375
Robert Thibodaux	<u>750</u>
Total	<u>\$ 5,775</u>

**INDEPENDENT AUDITOR'S REPORT AND OTHER SCHEDULES
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2012

A. Summary of Audit Results

- The auditor's report expresses an unqualified opinion on the basic financial statements of the Bayou Lafourche Fresh Water District.
- There was one material weakness in internal control disclosed during the audit of the basic financial statements that was required to be reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards. (See 2012-1 in Part B of this schedule)
- The results of our tests disclosed three instances of noncompliance material to the basic financial statements which were required to be reported in the Report On Internal Control and on Compliance and Other Matters over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. (See 2012-2, 2012-3, and 2012-4 in Part B of this schedule)

B. Findings – Financial Statement Audit

2012-1 SEPARATION OF DUTIES

Criteria: duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is an insufficient segregation of duties to have an effective internal control.

Effect: Transactions could be mishandled

Cause: There are a limited number of personnel for certain functions

Recommendation: Since the cost of an internal control system should not outweigh the benefits derived from it, we can not recommend that additional personnel be added, and have no recommendations to make in this area.

Views of responsible officials and planned corrective actions: Management of the District concurs with the finding. However, due to staff limitations, no action will be taken at this time.

2012-2 FINANCIAL STATEMENTS SUBMITTED NOT IN ACCORDANCE WITH GAAP

Criteria: Financial statements should be submitted in accordance with GAAP.

Condition: The accounting personnel does not possess the necessary skills to prepare financial statements that include note disclosures that are required by Generally Accepted Accounting Principles.

Effect: Financial statements are not presented in accordance with GAAP.

Recommendations: Due to the costs of correcting this outweighing the benefits derived, the District has opted to outsource the drafting of the note disclosures to the auditor.

Views of responsible officials and planned corrective actions: Management of the District concurs with the finding. However, due to staff limitations, no action will be taken at this time.

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2012

B. Findings – Financial Statement Audit-continued

2012-3 BUDGET AMENDMENTS

Criteria: Louisiana state statutes require the adopted budget to be amended in the following situations:

Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more

Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

Condition: For the year ended December 31, 2012, the district met this requirement, but did not correctly amend its budget.

Effect: The District is out of compliance with state law

Recommendation: We recommend that the District amend its budget when it meets the above requirements.

Views of responsible officials and planned corrective actions: Management of the district concurs with this finding and the recommendation will be implemented immediately.

2012-4 BUDGET PUBLICATION

Criteria: The District is required to submit a budget and make it available for public inspection not later than fifteen days prior to the beginning of the fiscal year.

Condition: The district published the dredge fund budget in the official journal on May 24, 2012, which is less than 15 days prior to the beginning of the fiscal year.

Effect: The District is out of compliance with state law.

Cause: The District did not timely publish its budget in the official journal.

Recommendation: We recommend that the District submit the budget to be published not less than fifteen days prior to the beginning of the fiscal year.

Views of responsible officials and planned corrective action: Management concurs with this finding and the recommendation will be implemented immediately.

BAYOU LAFOURCHE FRESH WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Schedule C

For the Year Ended December 31, 2012

INTERNAL CONTROL FINDINGS – Financial Statement Audit

2011-1 SEPARATION OF DUTIES

Condition: Due to the size of the Bayou Lafourche Fresh Water District's accounting staff, there is an insufficient segregation of duties to have an effective internal control.

Current status: This finding still applies and is noted in the current audit for year ending December 31, 2012. (See current finding noted as 2012-1.)

COMPLIANCE FINDINGS – Financial Statement Audit

2011-2 FINANCIAL STATEMENTS SUBMITTED NOT IN ACCORDANCE WITH GAAP

Condition: The accounting personnel does not possess the necessary skills to prepare financial statements that include note disclosures that are required by Generally Accepted Accounting Principles.

Current Status: This finding still applies and is noted in the current audit for year ending December 31, 2012. (See current finding noted as 2012-2.)

2011-3 BUDGET AMENDMENTS

Condition: The budget was not amended when the actual total revenues failed to meet budgeted total revenues by five percent or more due to the fact that it has been very difficult to anticipate the timing of the revenues received from the Louisiana Coastal Protection & Restoration Authority for the Bayou Lafourche Channel Capacity Improvement Program.

Current status: the finding still applies and is noted in the current audit for the year ending December 31, 2012. (See current finding noted as 2012-3.) This has not been corrected because of inconsistency in collections from the state on the Dredge Project.

2011-4 PUBLIC BID LAW

Condition: The district purchased a vacuum pump which exceeded the cost of \$10,000, but failed to receive at least three phone or facsimile quotes.

Current Status: This finding has been resolved for the current year.

BAYOU LAFOURCHE FRESH WATER DISTRICT



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GENE HARRELL, VICE-CHAIRMAN

GREGORY NOLAN, SR., SECRETARY-TREASURER

FRANCIS RICHARD, COMMISSIONER

LARRY DUGAS, COMMISSIONER

JACOB GIARDINA, SR., COMMISSIONER

WINDELL CUROLE, COMMISSIONER

RON ANIMASHAUN, COMMISSIONER
Schedule D

BEN MALBROUGH, EXECUTIVE DIRECTOR

Corrective Action Plan for Current Year Audit Findings For the Year Ended December 31, 2012

<u>Ref No. *</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s) **</u>	<u>Anticipated Completion Date</u>
2012-1	Separation of Duties	Not feasible at this time due to staff and budget limitations.	Benjamin Malbrough	N/A
2012-2	Financial Statements submitted not in accordance with GAAP	Not feasible at this time due to staff and budget limitations.	Benjamin Malbrough	N/A
2012-3	Budget Amendments	Will amend budget when in violation of state law	Benjamin Malbrough	N/A
2012-4	Budget Publication	Will publish budget not less than 15 days prior to the beginning of the fiscal year	Benjamin Malbrough	N/A

The above corrective action plan addresses the auditor's current year findings. If you need additional information concerning the corrective action plan, please feel free to contact us.


Benjamin Malbrough, Executive Director

* Reference number the auditor assigns to the audit finding.

** Name(s) of contact person(s) responsible for corrective action.

Waguespack & Gallagher, LLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS

Michael J. Waguespack, CPA, PC

Timothy J. Gallagher, CPA, PC

Tia T. Barbera, CPA, PC

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Elaine T. Waguespack, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Bayou Lafourche Fresh Water District
Thibodaux, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit* guide issued by the Louisiana Legislative Auditor and the Louisiana Society of Certified Public Accountants, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bayou Lafourche Fresh Water District (the District), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. (2012-1)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government

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Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2012-2, 2012-3, 2012-4.

The Bayou Lafourche Fresh Water District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Wagnerspack + Gallagher LLC

June 5, 2013

Napoleonville, Louisiana